

ICPS newsletter

ICPS economic research to present regional context

The International Center for Policy Studies has initiated ongoing research on regional economic development, with the Regional Trends bulletin as its output. This publication will be produced twice a year and will analyse and forecast the main trends of regional development, regional economic policy estimates, and an updated rating of the economic potential of Ukraine's regions

Inaugurating this new series of publications, we seek to address several issues and satisfy the needs of different groups of readers, including the following:

- Government and the public-at-large, who will become better aware of key factors involved in regional development problems;
- Companies, which in doing strategic planning and making investment decisions need to use impartial and timely information on economic prospects across all regions of Ukraine;
- International donors, who need to be informed about the level of regional economic development and effectively direct their aid to Ukraine's regions which need it most.

Initiating this new regular monitoring will requires rigorous analysis of the subject from the retrospective point of view. Thus, in the first issue we shall analyse the dynamics of regional development in Ukraine during 1990–2001 and compare their current conditions and developmental prospects. Starting with the second issue, the bulletin will contain in-depth analysis of economic trends in Ukraine's regions during the last six months, as well as short-term forecasts for major indicators.

In doing our analysis of socioeconomic conditions and potential of Ukrainian oblasts, we relied on important features such as the dynamics of regional economic development, human resources, quality of life, local economic competitiveness, the business environment, infrastructure development, investment and innovation activities, and the domestic market. The main comparative summaries that describe various aspects of the socioeconomic development of each region are presented below.

Results of a general comparison of Ukraine's regions

Regional development in Ukraine was analysed by oblast, as grouped into the following regions:

- North: Zhytomyr, Kyiv (excluding the city of Kyiv), Sumy, and Chernihiv oblasts;
- South: Crimean Autonomous Republic (including the city of Sevastopol), Mykolaiv, Odesa, and Kherson oblasts;
- Center: Vinnytsia, Kirovohrad, Poltava, and Cherkasy oblasts;
- West: Volyn, Transcarpathia, Ivano-Frankivsk, Lviv, Rivne, Ternopil, Khmelnytsky, and Chernivtsi oblasts;
- East: Zaporizhia, Dnipropetrovsk, Luhansk, and Kharkiv oblasts;
- The city of Kyiv.

If we take gross value-added per capita as a single indicator of economic development, then the city of Kyiv will be the undoubted leader among all the regions of Ukraine; the Western region is last according to the same indicator.

Further with regard to Kyiv city, almost all the abovementioned indicators are the best among all Ukraine's regions. The only exception is the proportion of privatised enterprises, though it can be explained by the rapid growth of the total number of enterprises recorded in the city. Kyiv's leadership is owed to both its capital status and the high competitiveness of its economy. In particular, the proportion of services in the economy is the highest here, and makes up almost three-fourths of gross value-added.

Second place of the Eastern region is determined mainly by its developed industry, the proportion of which in the regional economies is the highest in Ukraine. Owing to industrial development, the region's unemployment keeps at a moderate level. Unfavourable environmental conditions, however, cause a high rate of natural population reduction.

Table 1. Major socioeconomic development indicators for Ukraine's regions

Indicators	Kyiv	East	North	Centre	South	West
Gross value-added per capita (2000), UAH	5969	3254	2620	2443	2326	1954
Gross value-added per capita rating (2000)	1	2	3	4	5	6
Population (2000), millions	2.6	16.2	5.9	6.1	7.5	11.2
Natural population increase (2000), %	-0.3	-1.0	-1.0	-1.0	-0.6	-0.3
Unemployment rate (2001, by ILO methodology), %	6.1	10.7	13.4	10.7	9.6	13.0
Industry in gross value-added in 2000, %	16.4	48.2	28.3	28.5	23.6	23.8
Services in gross value-added in 2000, %	73.9	38.3	37	38.7	51.5	42.9
Agriculture in gross value-added in 2000, %	—	10.1	30.5	28.3	19.9	28.8
Privatised enterprises (as of YE'01), %	13.0	27.6	29.2	25.6	25.2	37.7
FDI per capita (as of YE'01), USD	585	68	84	48	66	42
Average household spending (2001), UAH	846	508	459	418	478	453

Source: State Statistics Committee; calculations by ICPS.

By gross value-added per capita, the Northern and Central regions are rated 3rd and 4th, respectively. Both regions have a similar economic structure. However, the third place of the Northern region is mainly caused by the high economic development of Kyiv oblast, which results from its proximity and tight economic relations with the capital. Correspondingly, in the North, the indicators of investment in the economy and welfare of the population are better than those in the Center. Nevertheless, due to high unemployment in the less-developed Sumy and Zhytomyr oblasts of the Northern region, this indicator is on the whole the worst in Ukraine.

In the economic structure of the Southern region, services prevail and the level of unemployment is low. Nevertheless, such favourable indicators did not allow the region to rise over fifth place by gross value-added per capita, due to a number of reasons. Firstly, agriculture has developed relatively slowly in the region. Secondly, the machine-building sector, which takes up a substantial portion of the industry, has been greatly cut back. Thirdly, labour productivity in the service sector is extremely low. Finally, infrastructure is weakly developed in the region. All these factors hamper

Table 2. Regional indicators

Indicators	Ukraine	Kyiv	West	South	North	East	Centre
Share of population, % (2001)	100	5.4	22.8	15.1	11.9	32.6	12.2
Share of territory, % (2000)	100	0.1	21.7	18.8	18.8	23.8	16.7
Share of region in Ukraine's gross value-added, % (2000)	100	11.4	15.9	12.7	11.1	38.1	10.8
Growth rate of gross value-added, % (2000)	4.1	7.7	4.9	-0.2	5.6	5.0	0.4

Source: State Statistics Committee; calculations by ICPS.

economic development of the region, and the export potential remains low. The comparatively significant amount of households' cash outlay is caused by the possibility to earn additional (often unregistered) incomes for resort services.

The Western region—the second in Ukraine by population—is rated last overall. The region has a high unemployment indicator and a small volume of investment. According to economic structure, the biggest proportion falls on services that have developed relatively slowly and are characterised by low labour productivity. The development of this sector has been particularly impeded by low household incomes. Regional industry in Western Ukraine has suffered considerable cutbacks.

Factors hampering agricultural development are low levels of organisation of this sector (while the holdings of the population produce 80% of output) and insufficient activity of private/family farmers. ■

This publication was enabled thanks to financial support from the East-West Management Institute and the Open Society Institute. To receive the Regional Trends bulletin, please contact Maksym Korepanov at tel.: (38-044) 236-5464 or e-mail: marketing@icps.kiev.ua. You may also order ICPS publications through the centre's web-site <http://www.icps.com.ua/eng/pub/> or you may purchase an electronic version of any ICPS economic publication in our Internet shop at <http://www.icps.com.ua/eng/store/>

ICPS experts participate in elaborating the State Program of Economic and Social Development

The Ministry of Economy and European Integration of Ukraine has initiated discussions of draft sections of the State Program for Economic and Social Development of Ukraine for 2004, and invited representatives from leading non-government organisations to participate

The discussions are being held at the level of deputy state secretaries in the Ministry of Economy and involve the management of sectoral ministries and agencies under the framework of the campaign to ensure government openness. During June–July 2003, ICPS experts, together with representatives of other prominent non-government organisations functioning in Ukraine, will participate in discussion councils on the following issues:

Social policy

- demographic situation;
- individual incomes and wages;
- employment and the labour market;
- pension reform;
- social security;
- reform of housing and public utilities.

Humanitarian sphere

- education;
- culture;
- information;
- tourism and recreation;
- environmental protection;

- occupational safety.

Ensuring necessary conditions for further social and economic growth

- tax and budget policy;
- monetary-credit and currency exchange policies;
- forming a competitive environment;
- administrative reform and improving the quality of public administration.

Financial market development policy

- stock market;
- development of non-banking financial institutions and the financial services market;
- recovery and strengthening of the banking system.

Development of the real sector of the economy

- power supply;
- implementation of an energy-conservative model of economic development;
- industrial policy;
- agricultural policy;
- transport;
- communications and information technologies;
- development of foreign trade and strengthening Ukraine's export potential;
- European integration and accession to the World Trade Organisation;
- regional policy.

Besides ICPS representatives, experts from the Institute of Economic Research and Political Consultations, the World Bank, PADCO, UNDP, and the Razumkov Ukrainian Centre for Economic and Political Studies have also been invited to participate in the discussions. ■

ICPS Newsletter is a weekly publication of the International Centre for Policy Studies delivered by electronic mail. To be included in the distribution list mail to: marketing@icps.kiev.ua. ICPS Newsletter editor Yevhen Shulha (shulha@icps.kiev.ua). Phone: (380-44) 236-4477. English text editor D. (Ksenia) Ovcharenko. Articles may be reprinted with ICPS consent. Address: 13-a Pymonenko Street, Kyiv 04050, Ukraine. Phone (380-44) 236-4377, 236-4477, Fax (380-44) 236-4668